



STATE OF NEW JERSEY

Board of Public Utilities

Two Gateway Center

Newark, NJ 07102

www.bpu.state.nj.us

TELECOMMUNICATIONS

IN THE MATTER OF THE PETITION OF)
POST BANKRUPTCY REORGANIZATION,)
PLAN OF ADELPHIA BUSINESS)
SOLUTIONS, INC. AND ADELPHIA)
BUSINESS SOLUTIONS)
INVESTMENT, LLC)

ORDER OF APPROVAL

DOCKET NO. TO03100771

(SERVICE LIST ATTACHED)

BY THE BOARD:

On August 28, 2003, Adelphia Business Solutions, Inc. (ABIZ Inc.), d/b/a TelCove, and its subsidiary Adelphia Business Solutions Investment, LLC (f/k/a Hyperion Communications), d/b/a TelCove, (jointly, Petitioners) filed a letter with the New Jersey Board of Public Utilities (Board) seeking approval of actions necessary to complete their post-bankruptcy plan of reorganization. This transfer of control will not result in the transfer of operating authority, and therefore will not affect the identity of the utility providing service or the rates, terms and conditions under which services are being provided in New Jersey. Upon approval, TelCove will continue to offer services on the same terms, rates and conditions that they currently provide such services in the state.

BACKGROUND

ABIZ Inc.'s, subsidiary, Adelphia Business Solutions Investment, LLC, d/b/a TelCove (TelCove) is authorized to provide local exchange and exchange access service in New Jersey. Order of Approval issued on August 18, 1999, in Docket No. TE97050370. TelCove's principal offices are located at 712 North Main Street, Coudersport, Pennsylvania 16195. On June 18, 2002, TelCove filed Chapter 11 bankruptcy in the U.S. Bankruptcy Court for the Southern District of New York (Case No. 02-11389) (Court), seeking temporary protection from claims of creditors while it reorganized its operations and restructured its finances (Reorganization Plan). TelCove's case is jointly administered with that of ABIZ, Inc., which had also previously filed for Chapter 11 protection with the Court.

ABIZ, Inc. is also the ultimate corporate parent of Adelphia Business Solutions of Pennsylvania, Inc. (ABS-PA). ABS-PA is not a party to the bankruptcy proceedings pending before the Court, however, the bankruptcy proceedings will have an impact on certain interests of ABS-PA in New Jersey. Specifically, ABS-PA and PECO Energy Company (PECO) are each 50% general partners in a partnership known as PECO Hyperion Telecommunications. In New Jersey, PECO Hyperion Telecommunications operates as a reseller and is authorized to provide competitive interexchange and local exchange services pursuant to authority granted by Order of the Board on January 5, 2000. See Order, I/M/O the Petition for An Order Authorizing Peco Hyperion Telecommunications to Provide Resold and Facilities –Based Local Exchange and Interexchange Telecommunications Services Throughout New Jersey, Docket No. TE99060415. ABS-PA manages and controls the

day-to-day operations of the PECO Hyperion Telecommunications partnership. Petitioners have advised the Board that in concert with the Reorganization Plan, ABS-PA will acquire the remaining 50% interest in the partnership presently owned by PECO.

On December 19, 2003, the Court issued an order confirming the Petitioners' proposed Reorganization Plan. Pursuant to the Reorganization Plan, Petitioners have agreed to take the following steps and therefore seek the Board's approval of these actions: a) cancel all common stock of ABIZ, Inc. and issue up to ten million shares of common stock with a par value of \$0.01 pursuant to N.J.S.A. 48:3-9 and N.J.S.A. 48:3-10; b) pledge all of Petitioners' assets to secure \$60 million in proposed exit financing pursuant to N.J.S.A. 48:3-7; the term of the potential exit financing is four years so that loans will be outstanding for periods in excess on one year and must be approved pursuant to N.J.S.A. 48:3-9; and c) effect a change in ownership from the present shareholders as a result of the stock issuance and acquire the remaining 50% of the PECO Hyperion Telecommunications partnership pursuant to N.J.S.A. 48:2-51.1.

Petitioners assert that each of the transactions outlined herein is a necessary component of the Reorganization Plan and Petitioners' efforts to emerge from bankruptcy as viable entities. In conformance with that Reorganization Plan, the capital structure of Petitioners will be reorganized and potential new exit financing will be obtained for the continued operation of the Petitioners. Petitioners' assets will be pledged to secure the potential exit financing, which financing Petitioners assert would be utilized to ensure the continued day-to-day operation of the business and the continued provision of safe, adequate and proper service to customers. Pursuant to the terms of the financing, the credit facility will remain open for a term of four years. Since the proposed loan facility will remain open for a period in excess of one year, Petitioners seek the Board's authorization pursuant to N.J.S.A. 48:3-9 to enter into the proposed financing.

With respect to the acquisition of the remaining 50% interest in the PECO Hyperion Telecommunications partnership, Petitioners state that ABS-PA presently controls the joint venture in that it alone manages the day-to-day operations of the entity. Therefore, Petitioners assert that ABS-PA already "controls" the joint venture for purposes of N.J.S.A. 48:2-51.1 and Board approval is not necessary for the acquisition of the remaining interest in the partnership. Petitioners note, however, that the review criteria contained in N.J.S.A. 48:2-51.1 have been met in that the proposed transaction will not have a negative impact on competition, rates, employees or the provision of safe, adequate and proper utility service. The joint venture currently serves only four customers and has no New Jersey employees. Service to customers will be unchanged by the transaction and rates will remain the same. Petitioners assert that competition will be enhanced by permitting the venture to remain in operation providing service to customers.

Lastly, the cancellation of stock and issuance of new common stock will result in the transfer of control of Petitioners. Consistent with the requirements of N.J.S.A. 48:2-51.1, Petitioners state that the change of control will not have an adverse impact on the employees of TelCove. Moreover, the rates and services of New Jersey customers will remain unchanged and so will not be affected by the transfer of control. Petitioners state that the proposed transactions will be transparent to customers since TelCove will continue to operate under the same name and operating authority. The transactions involve no change in the entity providing service to customers, the facilities used to provide service, or the rates, terms and conditions of service. According to the Petitioners, the proposed transactions are in the public interest and will allow Petitioners to emerge from Chapter 11, and TelCove to continue to operate as a competitive local exchange carrier in New Jersey. TelCove states that its continued operation will ultimately benefit consumers in New Jersey and elsewhere by encouraging the development of a vigorous competitive market.

FINDINGS AND CONCLUSIONS

After a thorough review of the petition and all related documents, the Board is convinced that, with regard to the provision of service, there will be no negative impact on service to New Jersey customers. All services will continue to be provided to the Petitioners' New Jersey customers

without interruption and pursuant to the same tariffs, contracts, rates, terms and conditions in existence prior to the proposed transactions. Accordingly, after careful review of this matter, the Board FINDS that the proposed transactions will have no negative impact on competition, the rates of current customers, or on employees. The Board also FINDS that the proposed transaction will have no negative impact on the provision of safe, adequate and proper service. The Board, after investigation, having considered the materials submitted in this proceeding, FINDS that the proposed transfer of control is in accordance with law and in the public interest. Therefore, the Board HEREBY APPROVES and AUTHORIZES the transactions described herein as well as in the Reorganization Plan, as approved by the Bankruptcy Court for the Southern District of New York on December 19, 2003. Petitioners shall notify the Board of the closing of the proposed transactions, promptly upon consummation of the transfer.

DATED: 4/14/04

BOARD OF PUBLIC UTILITIES
BY:

(signed)
JEANNE M. FOX
PRESIDENT

(signed)
FREDERICK F. BUTLER
COMMISSIONER

(signed)
CAROL J. MURPHY
COMMISSIONER

(signed)
CONNIE O. HUGHES
COMMISSIONER

(signed)
JACK ALTER
COMMISSIONER

ATTEST:

(signed)
KRISTI IZZO
SECRETARY